



## OPINION

By Michele Adair

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# Finding solutions to the housing crisis

Australia's housing crisis needs to be understood from multiple perspectives. The cause is a persistent failure by successive Governments, at all levels and of all persuasions, to sufficiently plan for and implement strategies that optimise the social and economic value of safe, secure, appropriate and affordable housing. Australia has never had a national housing strategy. State and territory governments have only recently started the process. Councils vary enormously.

It's only in very recent years that the business community, including the property and construction industry, started seeing the cracks of this neglect. Infrastructure Australia now lists increasing the supply of Social and Affordable housing as a national priority. In May 2023 the Business Council of Australia said "Without reasonably priced and suitable housing, the nation risks driving away the best talent, limiting our economic growth".

By definition if housing isn't affordable, it's unaffordable. That's a disastrous business model for everyone outside the premium end of the market.

The solutions to the housing crisis are well understood and supported by evidence. But that hasn't stopped a plethora of myths and innuendos threatening to undermine effective reform.

**Myth #1** – Supply will fix affordability. If that were true, we wouldn't have a crisis. Australia built more new dwellings in the last 10 years than ever before but they've never been less affordable.

**Myth #2** – Build-to-rent will fix affordability. Simply not true, and it's not innovative. Australia needs more BTR but it's almost always a premium product. BTR is core business for CHPs and they've been doing it for 40-50 years.

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**Myth #3** – Housing affordability is the same as Affordable housing. Wrong. Housing affordability refers to the relationship between the cost of a home and household income. Affordable housing is a specific product for low-moderate income earners, aka key workers.

**Myth #4** – Rents of 20-25% below market are affordable. This is misleading. A property can be discounted and still unaffordable. Household income determines affordability, not the market. Anyone paying more than 30% of their income in rent or a mortgage is in housing stress and could be at risk of homelessness.

**Myth #5** – Community Housing Providers don't have the capacity to deliver at scale. Not true. CHPs contract private builders so their capacity is the same as private developers. The sector was worth \$15B and had 6,000 new builds in the pipeline in 2021. It's even bigger today.

**Myth #6** – Incentivising private developers will increase Affordable supply. Maybe. Without regulatory controls there is a risk that projects will be approved but land banked, or built but not leased Affordably or to low-moderate income earners. Incentivised stock must be owned and/or managed by organisations that comply with the National Regulatory System for Community Housing (NRSCH).

**Myth #7** – the private sector and NFPs can fix the housing crisis. Wrong. Subsidised housing needs a subsidy and that's the role of government.

### **True partnerships are built on mutual respect, creating opportunities for innovation and efficiency.**

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Registered CHPs have a strong track record of providing quality, Affordable rental housing. Most are NFPs and many are registered charities. They have access to government grants, tax concessions and public land. CHPs have strong community connections and often focus on specific LGAs. Unlike private real estate agents and government, they proactively engage with their tenants to minimise rent arrears, anti-social behaviour and property damage.

The CHP sector and the private property industry are both very influential. While CHPs have historically been recognised for their deep understanding of vulnerable populations, their expertise and access to social impact investing is of increasing value to the private sector. The sheer size and importance of the private property and construction industry will always carry political weight. Combining the two would deliver extraordinary results.

Modelling by SGS Economics shows that if no action is taken to address the lack of Social and Affordable housing, the additional cost to Australia will be \$25B a year by 2051. The estimated benefits of providing adequate housing would be \$110B.

Mixed tenure is the norm internationally. Residents are happy, jobs are created, there's just as much economic stimulus, and property values still increase. In one building only 8 minutes from the Toronto CBD market property values increased from C\$545 sq foot to C\$1450 between 2012-22. Northsea is under construction in Wollongong NSW. It will have 54 apartments with Social housing tenants paying \$100 pw rent, Affordable rents up to \$700 pw, and owners who purchased for up to \$2.4m. There will be capital gains.

Greater collaboration between private industry and the NFP Community Housing sector is arguably the only way to address the housing crisis. By leveraging each other's strengths, these partnerships have the potential to positively impact affordability, social inclusion, and community well-being, making Australia a more equitable, sustainable and prosperous nation. ■